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The European Unified Patent Court and UK assumptions on its post-Brexit patent litigation

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I. Introduction

The English Controller of Customs in the 12 century, Geoffrey Chaucer, – coined the expression (and I paraphrase) “All roads lead to Rome”. If Rome is taken as the Treaty of Rome and its progeny, for the last 46 years in relation to the United Kingdom’s government’s commercial policy this has been a truism. For patent law in the United Kingdom one of the questions is; how far can it retreat back up the road from Rome before it risks breaching its inchoate obligations under the Unified Patent Court Agreement. In contemplating that question this paper looks at the institutional aspects of European patent law. It suggests that:

1. Brexit may not necessarily be inconsistent with the United Kingdom remaining part of the Unitary Patent System and legitimately ratifying Unified Patent Court Agreement. Note: Patent law litigation is a matter devolved to Scotland and Northern Ireland but not to Wales. However, this presentation will use the expression UK generically.
2. The UK government’s ‘red lines’, contained in the European Union (Withdrawal) Bill do not sit comfortably with the same government’s obligations once it ratifies the Unified Patent Court Agreement.

II. Outline

After touching on the respective negotiating positions of UK and EU on Intellectual Property law, this paper examines the current system of patent regulation in Europe and then the UK’s position on the proposed Unitary Patent Regime in relation to:

1. Continued membership of, and participation in procedures, under European Patent Organisation
2. Retaining a right to participation in the substantive patent right under the Unitary Patent Regulation – once in force
3. Becoming a participating contracting party to the Unified Patent Court litigation model and
4. Continued eligibility to host one of the Unified Patent Court's three central divisions of courts of first instance. The latter three aspects are inter-related and will be dealt with at times together here.

The answers to these questions, as in many other areas of the future relationship between the European Union and United Kingdom turn on whether the outcome of the second stage of the negotiations results in a hard or soft Brexit or something of a middle ground. By a hard Brexit, using the nomenclature of the politicians, it is meant; no agreement between the parties other than that required by both parties being bound by World Trade Organisation Rules.

At the time of writing it is not possible to predict which type of Brexit will eventuate. For, government policy remains undisclosed. However, it is clear the United Kingdom seeks a transition period of two years after the date of leaving. Currently that date stands as 23:00 GMT on 29th March 2019, which is two years after the filing of the UK's notice under Article 50 TFEU.¹

The UK's negotiating position on the nature, detail and scope of the application of EU law during the transition period is cloaked in the mystery. Justified as one of 'not revealing our hand'.²

For its part, the European Council has made its negotiating position clear: *viz* for there to be an agreement on a transition period, the United Kingdom has to accept the application of all EU law as they currently stand and all EU laws passed during the transition period. In addition, it has to accept an unchanged jurisdictional

¹ March 29 - At midnight in Brussels, 2300 GMT or 11 p.m. in London, Britain's membership of the European Union will lapse, two years to the day after it formally filed notice to quit.

² <http://www.bbc.co.uk/news/uk-politics-37799805>.

territory and scope for the Court of Justice of the European Union in UK domestic law. At paragraph 3 and 4³ the European Council notes (emphases added):

3. *As regards transition, the European Council notes the proposal put forward by the United Kingdom for a transition period of around two years, and agrees to negotiate a transition period covering the whole of the EU acquis, while the United Kingdom, as a third country, will no longer participate in or nominate or elect members of the EU institutions, nor participate in the decision-making of the Union bodies, offices and agencies.*
4. *Such transitional arrangements, which will be part of the Withdrawal Agreement, must be in the interest of the Union, clearly defined and precisely limited in time. In order to ensure a level playing field based on the same rules applying throughout the Single Market, changes to the acquis adopted by EU institutions, bodies, offices and agencies will have to apply both in the United Kingdom and the EU. All existing Union regulatory, budgetary, **supervisory, judiciary and enforcement instruments and structures will also apply**, including the competence of the Court of Justice of the European Union. As the United Kingdom will continue to participate in the Customs Union and the Single Market (with all four freedoms) during the transition, it will have to continue to comply with EU trade policy, to apply EU customs tariff and collect EU customs duties, and to ensure all EU checks are being performed on the border vis-à-vis other third countries.*

Of course, whether a transition period eventuates depends on the United Kingdom agreeing to this position. Equally, the enacting domestic legislation to effect Brexit, European Union (Withdrawal) Bill, was laid before the Houses of Parliament before any indication of the UK's wish for a transition period. Therefore amending clauses will be required for it to be relevant, workable and accommodating to the United Kingdom constitutional mechanism and procedures. Arguably, the UK government would also need affirmative consents of the devolved legislations in Scotland, Wales and Northern Ireland for such a transition period. However, any detailed amending provisions required are dependent on an unknown: What is the

³ Brussels, 15 December 2017 (OR. en) EUCO XT 20011/17.

nature and legal effect of the transition agreement to the application of EU law in the UK during that transition?

The mechanism of a transition period throws up several different scenarios in relation to the likely post-Brexit architecture of patent litigation in the United Kingdom. What is clear is that it will not simply be something determined by domestic (national) UK legislation. Whether it will be derived only from bespoke UK domestic legislation or EU legislation⁴ itself depends on other events: notably, the date on which it is ratified by specific contracting parties to the Unified Patent Court Agreement⁵.

III. Post-Brexit architecture of patent litigation in the United Kingdom

Behind any analysis of the UK's likely trajectory in the area of patent law is an overarching tension. On the one hand the UK wants not to be part of a European body of harmonised laws in relation to free movement and the associated jurisdiction of the CJEU, but on the other hand it wishes to retain all commercial benefits deriving from that. Colloquially, this may be termed having your cake and eating it. This tension is most evident in the United Kingdom's stance on patent enforcement and litigation.

The question not yet addressed is what be the result of striving to retain all commercial benefits? It is suggested that the United Kingdom tacitly acknowledges, through its stated keenness and readiness to engage in ratifying the UPCA, that the ultimate tribunal to answer that question remains the CJEU.

The current position of patent litigation in UK

Patents granted by the Intellectual Property Office (hereinafter the "Patent Office") cover England, Wales, Scotland, Northern Ireland and the Isle of Man. Patent infringement is not a criminal offence. The patent owner or exclusive licensee may bring a civil action to the court of their choice (Sections 61(1), 66, 67 PA). The United Kingdom comprises three separate jurisdictions:

⁴ In particular the Patent Regulation 1257/2012 and Language Regulation 1260/201217.

⁵ Unified Patent Court Agreement (16351/12), [2012] OJ C 175/1.

- 1) England and Wales – patent actions are brought before Patents Court, which is part of Chancery Division, or on transfer to Intellectual Property Enterprise Court.;
- 2) Scotland - patent actions are brought before the Outer House of the Court of Session, with appeals being heard by the Inner House; and
- 3) Northern Ireland - patent actions are brought before the Northern Ireland High Court, with appeals being heard by the Northern Ireland Court of Appeal.

Proceedings may be stayed where there are parallel proceedings under the European Patent Office procedures. A decision on whether or not to stay national proceedings where EPO proceedings are underway is made on a case-by-case basis; the default option is to grant a stay, and it is for the party resisting to show why it should not be granted. A number of factors are considered, with the ultimate question being where the balance of justice lies.

Enforcement of civil judgments is not automatic; the person awarded the judgment must apply to the court for the order to be enforced.

The European Patent Convention

Patent law within Europe is a patchwork comprising existing and newly created international law treaties which are not EU law: the substantive law on patentability is still the European Patent Convention (EPC) 1973 (as revised 2007), which established the European Patent Organisation.

The European Patent Organisation was established under the EPC. The Convention established a uniform, supranational patent granting procedure. Article 1 sets out its jurisdictional scope as non-EU. Of the 38 Contracting States not all are EU Member States. Those 38 contracting states comprise of all 28 Member States of EU plus all 4 EFTA states. The additional members are; Turkey, Albania, Former Yugoslav Republic of Macedonia, Serbia, Monaco and San Marino, none of whom have ties with the EU.

Under the EPC, individuals or businesses seeking to protect their inventions across Europe have had the option of either making – under national law – separate applications to each national patent office for a national patent of that territory or

through the EPC process. The first is costly and cumbersome as it requires separate applications within each state. Conversely, the EPC process only involves making a single application to the Munich-based European Patent Office (EPO) for a European patent (EP). Once granted, this constitutes a 'bundle' of national patents, one for each EPC jurisdiction specified.⁶ However, this also has disadvantages as the enforcement procedure is costly because the EPO bundle of patents does not necessarily offer uniform protection in each state. Additionally, although the EP application process centres on a single application to the EPO, the present system for patent enforcement is not homogeneous across the EPC member states.⁷

This is exacerbated by the fact that infringement litigation concerning an EP takes place at the national level currently, rather than at a centralized European one. Post-grant enforcement and litigation procedures and court structures differ widely across the 38 EPC contracting states.

Nonetheless, the EPO does retain the ultimate say on validity via its post-grant opposition proceedings. This is not a process of litigation as such, but rather an administrative procedure whereby other parties, such as competitors, may challenge the validity of an EP. An initial EPO opposition decision can be appealed to the EPO Technical Board of Appeals.⁸

This does not solve the problem of parallel proceedings, national litigation on the same issue may still go ahead, leaving open the possibility of conflicting rulings being issued at the national and EPO levels. The hope is that a Unified Patent court will lift much of patent litigation out of the national courts of Contracting Member States and that the unitary patent will obviate some of the duality involved in the EP.

The inchoate Unified Patent court

A future EU patent court system is based on the Agreement on a Unified Patent court, an intergovernmental treaty between EU Member States outside EU law.⁹

⁶ EPO, How to Get a European Patent: Guide for applicants, available at www.epo.org/applying/european/Guide-for-applicants.html.

⁷ Under Articles 2 and 64 of the EPC the rights conferred by the respective national 'segments' of a bundle EP, and the infringement and validity proceedings before the national courts, are governed by the law in the respective jurisdictions in which the patent has been validated.

⁸ Article 99 EPC.

⁹ Unified Patent Court Agreement, Recital, paras. 3, 4 and 14.

The unitary patent system is a third form of patent regime alongside the existing national and EPC patents. It is created by allowing the voluntary transformation of EPC patents into patents with unitary effect or uniform protection in the participating EU Member States. The unitary patent will make it possible to unitary effect a European patent through one request to the EPO.

The unified patent builds on the European Patent Convention (EPC). Meaning that nothing changes in the pre-grant phase. The applicant applies for a European patent at the European Patent Office (EPO). The EPO handles the application in accordance with the EPC and, if all relevant criteria are met, eventually grants a European patent.

However, in respect to the unified patent the major change will be that the UPC will have exclusive competence to hear (a) infringement actions, (b) actions for declarations of non-infringement, (c) actions for provisional and protective measures and injunctions, (d) revocation actions, (e) actions for damages or compensation derived from the provisional protection conferred by a published European patent application, (f) actions relating to rights based on prior use of an invention and (g) actions for compensation for licences of right. It will also deal with counterclaims for revocation and other defences (e.g. counterclaims relating to licences). Finally, it will hear actions (ex parte) against decisions which the EPO takes when carrying out tasks related to Unitary Patent protection.

The central division's seat in Paris will deal with cases relating to patents in Classification Sections B (performing operations; transporting), D (textiles; paper), E (fixed constructions), G (physics) and H (electricity).

The section in London will deal with patents in Classification Sections A (human necessities) and C (chemistry, including pharmaceuticals), while the section in Munich will deal with patents in Classification Section F (mechanical engineering).

The UPC may revoke a European patent or a Unitary Patent, either in full or in part, only on the grounds listed in Articles 138(1) and 139(2) EPC. If the grounds for revocation affect the patent only in part, the patent will be limited by a corresponding amendment of the claims and revoked in part. Decisions will have retroactive effect.

The unitary patent protection is, however, not autonomous, but based on the Member States' national laws¹⁰ and the EPC.¹¹ It is found in Regulation 1257/2012. The Regulation has the effect of giving non-EU instruments the status of EU legislation. This quality as 'empty shell legislation' or 'outsourced legal integration' was also one submission of Spain¹² in Spain and Italy's unsuccessful legal challenge of the EU regulation 1257/2012 in the CJEU.¹³ It is the polygon nature of this the unified patent system which may provide a basis for it surviving Brexit and any challenges to the UK's continued participation.

IV. The UK's continued membership of, and participation in procedures, under European Patent Organisation

There seems to be little reason for UK membership of EPO ending. For, as already noted, the EPO is not an EU institution.

Given the scope of its contracting states, The EPO constitutes a separate, non-EU path for patent integration. Remaining a member does not cross any of the UK government's red lines.

It follows that Brexit will have few consequences on UK's membership of the European Patent Organisation and as a contracting state to the Convention. The EPO will continue to grant patents for the UK. There will be no changes on the effect in the UK of patents granted by the EPO. This means that UK businesses will be able to continue to apply to the EPO for patent protection.

Whilst under the Convention the procedure for granting patents was unified, the patents rights remained national rights. They thus had to be litigated nationally, both as regards their infringement as well as their invalidation. This means patent disputes on enforcement and infringement are litigated nationally. Therefore, outside the

¹⁰ Regulation 1257/2012, Arts. 5 (3) and 7 (1): unitary patent and nature of patent protection granted are defined by national law.

¹¹ K. Kaesling, 'The European Patent with Unitary Effect – a Unitary Patent Protection for a Unitary Market?', (2013) 2(1) UCL Journal of Law and Jurisprudence, 87–11, at 92, 110.

¹² para 54 in *Spain v European Parliament* (C-146/13), *Spain v Council of the European Union* (C-147/13).

¹³ *Spain v European Parliament* (C-146/13), *Spain v Council of the European Union* (C-147/13). See E. Pistoia, 'Outsourcing EU Law while Differentiating European Integration – the Unitary Patent's Identity in the Two "Spanish Rulings" of 5 May 2015', (2016), 41(5) *European Law Review*, 711–26, at 713, 716–18.

unitary patent system, patent litigation stemming from patent breaches continues to take place on a national basis, with potential divergent rulings on validity and infringement between the national courts of contracting states. Germany will remain the main current venue for European patent litigation, as it is seen as speedy and fairly cost-efficient.

For its part, it is suggested that the UK will retain niche jurisdiction for complex pharma/life sciences cases. The UK's hold over this is seen as a 'thorough but costly' jurisdiction. Applications for European patents could continue with the UK as one of the designated states of protection. Upon grant, those patents would, as now, become genuine UK patents for all of their post-grant aspects (infringement, invalidity, property aspects and any litigation relating to these would be before the national courts).

However, a problem will arise in respect to enforcement of UK patent litigation post Brexit. This is because judgments of UK courts might not have the benefit the Brussels I Regulation on cross-border jurisdiction, recognition and enforcement of judgments in civil and commercial matters. Cross-border infringements of patents involving the UK could thus no longer be joined before one competent court (outside the UK or within the UK, including infringements in other states). Likewise, UK infringement or invalidity judgments would no longer be enforceable outside of the UK. In short the UK would be forced to draw up a follow-up regime to the Brussels I Regulation to upkeep its current patent enforcement regime for cross-border infringements. An option here would be its accession to the Lugano Convention.

V. Post-Brexit could the UK participate in the substantive unitary patent under the Unitary Patent Regulation?

The unitary patent in its current rendition arose out of Council Decision 2011/167/EU of 10 March 2011 which authorised enhanced cooperation in the area of the creation of unitary patent protection.¹⁴ The implementing legislative acts were the Unitary Patent Regulation 1257/2012¹⁵ laying down the substantive patent right,

¹⁴ Council Decision 2011/167/EU [2011] OJ L 76/53.

¹⁵ [2012] OJ L 361/1.

Language Regulation 1260/2012¹⁶ laying down the disputed language regime for translations and, finally, an international agreement on the creation of the Unified Patent Court Agreement (UPCA).

The EU law for the unitary patent is found in Regulations No 1257/2012 and No 1260/2012 of the Council and Parliament Regulations.¹⁷ Entry into force of these Regulations hinges upon the ratification of the UPC Agreement. Only once the UPC Agreement is ratified by Germany, the UK and France plus ten other contracting states may that Agreement, and with it the two Regulations, enter into force along with the establishment of the UPC. Currently, from among the twenty-five signatories, 10 + 1 (France) of required 10 + 3 (France, Germany, UK) ratifications have been deposited.¹⁸

The preamble to these Regulations state, in summary, that the Regulations tie the unity patent into the Convention on the Grant of European Patents and proclaims the unitary effect such patents as special agreements within Article 142 of that Convention. It refers to the unitary patent as a 'European patent with unitary effect'.

By clause 2 of the preamble extra-EU territorial scope of the unitary patent is given legal basis. In summary, it states that pursuant to the first paragraph of Article 118 of the TFEU, measures to be taken in the context of the establishment and functioning of the internal market include:

- the creation of uniform patent protection throughout the Union,
- the establishment of centralised Union-wide authorisation,
- coordination and supervision arrangements and 'Participating Member State' means a Member State which participates in enhanced cooperation in the area of the creation of unitary patent protection.¹⁹

Currently, all EU Member States except Croatia and Spain are participating in this enhanced co-operation.

¹⁶ 2012] OJ L 361/89.

¹⁷ Regulations No 1257/2012 and No 1260/2012.

¹⁸ <http://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2013001>.

¹⁹ Decision 2011/167/EU, or by virtue of a decision adopted in accordance with the second or third subparagraph of Article 331(1) of the TFEU (enhanced co-operation process).

The Regulations provide little in the way of detailed patent rules. Not even the minima for determination of the types of rights are spelt out, such as the requirements of protection, definitions of the scope of protection or property rules. Instead it relies on third law sources to determine the procedure and conditions for grant of the patent. These follow (and are directly based on) the EPC, i.e. international law.

By contrast, paragraphs 24 and 25 of the Preamble of the Regulation 1257/2012 note that determining the scope of protection is in the hands of the Unified Patent Court established under the UPC Agreement, i.e. an act of international law translated into the national laws of the Member States. Any property aspects of the patent (e.g. transfer, mortgaging and use as security etc.) reside in the laws of the various Member States laws where the patent applicant was domiciled at the time of the application or (subsidiarily) German law.

This package integrates the unitary patent into the European Patent Convention system, insofar as the European Patent Office is responsible for granting and administrating patents. The unitary patent is granted on the basis of both EU law Regulation 1257/2012) and the EPC (all patentability and procedural questions). Yet there are no direct procedural links between EPO and the CJEU. However, there are indirect links via a limited review of those acts by the UPC under CJEU (preliminary reference) control.

As regards the national law side, purely national patents remain in place and outside of the system. The links to the EPC (and therefore: the unitary patent) remain as they are, i.e. obtaining a national patent via the EPO is possible for multi-jurisdiction applications. For such (unitary or EPC-national) patents, the UPC replaces national courts. This applies also vis-à-vis their relationship with the CJEU.

The Unitary Patent System is expected to start, along with the establishment of the Unified Patent Court in 2018, pending UK and German ratification. The latter is on hold awaiting the outcome of litigation in the German Federal Constitutional Court²⁰ challenging the *vires* of the Unified Patent Court. Note that litigation on *vires*

²⁰ German Case [Case No. 2 BVR 739/178].

is also pending in Hungary²¹ and that there is doubt when a necessary Irish referendum on ratification will take place.²²

Issues over the extent of the UK's participation in the UPS after Brexit turn on the interpretation of Regulation 1257/2012. In particular, whether the unitary patent established under the Regulation is available only to EU member states or whether it has a wider pool of participants. This question arises because of the definitions found in the preamble of the Regulation, which distinguish two types of patent:

1. A 'European patent' meaning a patent granted by the European Patent Office (hereinafter 'EPO') under the rules and procedures laid down in the EPC²³
2. A European patent with 'unitary effect' meaning a European patent which benefits from unitary effect in the participating Member States by virtue of this Regulation.²⁴

Unified Patent Court

The two Regulations lay down the substantive procedural and translation aspects of the unitary patent. Meanwhile a flanking international law-based agreement, the Unified Patent Court Agreement, forms the legal basis for the establishment of a Unified Patent Court (UPC). Thus, the Regulations envisage that breaches of rights conferred on a proprietor of a European patent with unitary effect be litigated before the UPC.²⁵ The UPC has jurisdiction over both EPC and EU patents. Like that Court, the UPC is a two-instance international law-based, decentralized court. And it includes the same possibility (optional for first instance decentralized chambers) of splitting infringement and invalidity procedures (so-called bifurcation compromise). Although by no means does it result in a unitary system.

Initial assumptions were that the UK would be disqualified and down-sized post-Brexit and only participate in the European Patent System. That assumption was

²¹ Hungarian [Case No. x/01514/2017].

²² Kluwer Patent Blog October 12, 2017, <http://patentblog.kluweriplaw.com/2017/10/12/uncertainty-irish-referendum-unified-patent-court/>.

²³ Preamble 25 (b).

²⁴ Preamble 25 (c).

²⁵ Regulation No 1257/2012 Preamble 9.

based on the belief that the Regulation only confer rights and obligations to Members States as defined. This coupled with the expectation that the UK becomes a 3rd country after Brexit and, therefore, not able to benefit from those rights and obligations as defined.

But does that stand scrutiny? Certainly, the Unitary Patent is EU *sui generis* for the internal market designed to be a uniform, singular right throughout, conferring rights and obligations on the participating EU member states only.

- It is an instrument of EU law. EU law only applies to EU Member States.
- However, there is significance in the preamble already covered – it alludes to it being a special agreement under Art. 142 of European Patent Convention 1972, which according to the CJEU provides scope for extra-territorial enhanced co-operation.²⁶

Legal commentary is divided. Gordon/Pascoe²⁷ opine that the UK *mayonly continue to participate in the unitary patent regime by entering into an international agreement with the EU and Member States*.²⁸ This was criticised by Dr. Ingve Björn Stjerna,²⁹ but relying almost exclusively, on the CJEU's *Opinion 1/09 European and Community Patents Court* (2009).³⁰

Some practitioners note a shift in opinion to one that UK can participate even after it has left EU. They point to the UK needing a mechanism to allow a reference to CJEU and suggest a hybrid option of the UK remaining part of UPC but leaving the unitary patent system. In other words, split the substantive parts of the package from the belonging to the UPC.³¹

The possibility of a legal base for effects of the Unitary Patent Regulation extending to include the UK, as a 3rd country, via an international agreement between EU and UK could be reside in judgments of the CJEU, such as *Spain and Italy v*

²⁶ Joined Cases C-274/11 and C-295/11, *Spain and Italy v Council*, ECLI: EU: C: 2013:240; (fn. 21) paras. 20 et seq.

²⁷ Gordon/Pascoe Opinion "Re the Effect Of 'Brexit' on the Unitary Patent Regulation and the Unified Patent Court Agreement" 16 September 2016 -, accessible at www.eip.com/as-sets/downloads/gordon-and-pascoe-advice-upca-34448129-1-.pdf.

²⁸ Gordon/Pascoe Opinion, paras. 134 (a to e).

²⁹ 12 January 2017 www.stjerna.de "Unitary patent" and court system – The Gordon/Pascoe Opinion and the UPCA's incompatibility with Union law".

³⁰ Opinion 1/09, *European and Community Patents Court*, ECLI:EU:C:2011:123.

³¹ Alan Johnson - Bristow's- AIPPI London Seminar 2017.

*Council*³². Also it would not be unique. For example, the Schengen Agreement covers participating 3rd country states, such as Norway, Switzerland and Iceland.

In *Spain and Italy v Council*, the possibility was envisaged by the CJEU. At para 28 the judgment states

*.... it is common ground that, according to article 1 [of the Unitary Patent Regulation] constitutes a special agreement within the meaning of article 142 (headed 'unitary patent's') of the European Patent Convention.... **any groups of Contracting States which are party such an agreement may agree that a European patent granted for those states has a unitary character throughout their territories.***³³

At para 29 the Court states

To that end To that end, the contested regulation creates the legal conditions enabling that unitary character to be conferred on European patents previously granted by the EPO on the basis of the EPC in the territory of the participating Member States. Recital 7 of the contested regulation specifies in that regard that unitary protection, which has a strictly accessory nature, should be achieved 'by attributing unitary effect to European patents in the post-grant phase by virtue of [that regulation] and in respect of all the participating Member States'. As is expressly indicated by the definitions provided in Article 2(b) and (c) of that regulation, an EPUE is a European patent - that is to say, a patent granted by the EPO under the rules and procedures laid down in the EPC - which benefits from unitary effect in the participating Member States.

In other words the CJEU has nuanced its ruling in *Opinion 1/09* to allow non-EU states to draw on and apply the Regulations as part of enhanced co-operation, provided that the relying state is also a contracting party to the Unified Patent Court Agreement and EPC.

The author would caution the CJEU's endorsement, of the Art. 142-fiction. It is legally all but convincing: In the author's opinion it confuses the EU legislator, the Council, with its member states' representatives. Since the EU is not a party to the UPC, the Council cannot conclude a regional agreement within the sense of Art. 142

³² Joined Cases C-274/11 and C-295/11, *Spain and Italy v Council*, ECLI:EU:C:2013:240.

³³ Author's emphasis added.

EPC. It does not have the competence to do so because competence resides exclusively in each Member States.

Needless to say, the question is how far can the Court's finding be stretched? Does it allow a side-deal with the UK for direct application of the Unitary Patent Regulatory regime?

One approach is to suggest that, since the Unitary Patent Regulation is based on the Patent Convention and not just EU law, it can be extended to include the UK and a hybrid option is not needed. This would also be attractive to other 3rd countries, such as Switzerland. If in reality the Unitary Patent Regulation was an Art. 142-agreement, and therefore could derive its legitimacy (and substantive determination) from the EPC, the suggestion that an agreement between the EU and the UK to keep the UK on-board the Unitary patent is stringent.

That approach might then be a workable way out of the Brexit dilemma. Because as the EU, which is not an EPC party, has passed legislation to implement the EPC, it might also choose to amend that legislation to bring on board other EPC non-EU parties. An agreement between the EU and the UK regarding the extension of the Unitary Patent Regulation to the UK would just be another Art. 142-agreement.

It needs to be borne in mind that Opinion 1/09 was not an opinion on the current UPCA but on its predecessor and the deficiencies raised by the CJEU have been largely rectified.

VI. Post-Brexit UK participation in the Unified Patent Court litigation model

It is clear the UK, and significant other parties, want the UK to continue to belong to the club and continue to make every effort to bring that about. There is political will on the part of the key players in the Brexit negotiation for UK to remain on board:

The UK White Paper Jan 2017³⁴ on Brexit states as one of its goals

*(The) maintaining (of) a positive environment for business, investors and consumers. For example EU-wide systems **facilitate the protection of intellectual property***³⁵.

³⁴ Cm9417 - The United Kingdom's exit from and new partnership with the European Union; 02/02/2017.

As we leave the EU, the Government is committed to making the UK the best place in the world to do business. This will mean focussing on a stable and predictable regulatory environment.

For the EU its Position Paper Sep 2017³⁶ states

*The Withdrawal Agreement should ensure that **Protection Of intellectual property rights having a unitary character Is not undermined.***³⁷

Subsequent to the Brexit Referendum the position of many practitioners in UK has been the same.³⁸ Even the German Bar Association has opined UK ratification permissible and that membership of the UPC can continue post-Brexit.³⁹

In relation to patent law and litigation the question is how to reconcile these positions? A sectorial or tailor-made approach is one possibility. The only model allowing a sectorial approach is the Swiss Model.

VII. In the UK the momentum towards joining the UPC has been maintained post Article 50 TFEU notification.

On 28 November 2016, in a press statement titled “UK signals green light to Unified Patent Court Agreement,”⁴⁰ The UK government confirmed it was proceeding with preparations to ratify the Unified Patent Court Agreement.

Whilst at the same time it was cautious to note that the decision to proceed with ratification should not be seen as pre-empting the U.K.’s objectives or positions in the forthcoming negotiations with the EU. It stressed that the UPC itself would not be an institution, but rather an international patent court. The judges for which would be appointed to a panel, including UK judges.

No doubt these qualifications arose to deflect charges that it was crossing one of the red lines of the UK Government; to ‘take back controls of its own laws’ and to

³⁵ Authors emphasis.

³⁶ 6 September 2017 TF50 (2017) 11 – Commission to EU 27.

³⁷ Authors emphasis.

³⁸ Gordon/Pascoe Opinion, accessible at e. g. www.eip.com/as-sets/downloads/gordon-and-pascoe-advice-upca-34448129-1-.pdf.

³⁹ <https://www.lexology.com/library/detail.aspx?g=accca083-5f09-4cbe-aed3-403c1dea8efc>.

⁴⁰ Intellectual Property Office: web traffic <https://www.gov.uk/performance/site-activity-intellectual-property-office?sortby=visitBounceRate:mean&sortorder=ascending>.

ensure that the UK and its various courts structures are no longer subject to the jurisdiction of the CJEU.

On 7 July 2017, the UK deposited the required document to apply the protocol to the agreement of the UPC court on provisional application with the depository for the UPC agreement.⁴¹ This protocol allows some parts of the UPC agreement to be applied provisionally.

Secondary legislation in the form of an Order on Privileges and Immunities for the Unified Patent Court was laid before Westminster in June 2017 and before Holyrood (Scottish Parliament) in August 2017.

The timetable for the equivalent English Order which was laid before the Westminster Parliament on 26 June 2017. On the 4 December 2017 and the 12 December 2017, respectively the House of Commons and the House of Lords have approved the Unified Patent Court (Immunities and Privileges) Order 2017. To become law, the Order will have to be approved by the Privy Council. By convention such approval is certain. Following that approval there is no domestic constitutional impediment to the UK ratifying.

On 24 October 2017 Holyrood (the Scottish Parliament) passed the International Organisations (Immunities and Privileges) (Scotland) Amendment (No. 2) Order 2017 leaving the way open to ratify. Such a step was necessary because of the independent jurisdiction of the Scottish Court in patent litigation.

Ratification by the UK will not immediately end the jurisdiction of the UK courts on patent matters. For a limited period of time there will be opportunities for forum shopping. The UPC Agreement provides for a seven-year transitional period⁴² during which litigants will be able to choose between the UPC and the existing national courts. After that transitional period the competence of the UPC is laid down in Article 32 UPCA.⁴³ Its effect is that all patent litigation involving participating

⁴¹ <https://www.unified-patent-court.org/news/update-provisional-application-phase>.

⁴² Art. 83 UPCA.

⁴³ Article 32 Competence of the Court

(1) The Court shall have exclusive competence in respect of:

- (a) actions for actual or threatened infringements of patents and supplementary protection certificates and related defences, including counterclaims concerning licences;
- (b) actions for declarations of non-infringement of patents and supplementary protection certificates;
- (c) actions for provisional and protective measures and injunctions;

countries will be in the UPC. Thus, supplanting the jurisdiction of the UK national courts in a large swath of patent litigation.

In the last months the UPC Preparatory committee has made regular positive progress statements regarding the impending ratification of other contracting states – see its Sept news release.⁴⁴

What will be the result of the UK ratifying in terms of the UK Governments red lines?

The UPC will have its own jurisdiction to issue rulings on substantive patent matters in relation to the contracting member states: e.g. validity and infringement which will supplant the national courts in Scotland, Northern Ireland and England & Wales in these areas patent law. In terms of UK red lines this will be a Rubicon. It will result in the surrendering (taking away) of the jurisdiction of UK courts to hear patent proceedings and conferring that power on the UPC. Thus, leaving the UK courts with a residuary role of enforcing its rulings. However, the UK national court will retain jurisdiction over patent litigation involving non-contracting states. Notably, in Europe, Spain. Moreover, through the back door, CJEU decisions (in patent law) may remain binding on UK courts.

This large proposition is based on the fact that the European patent court system comprises a Court of First Instance and a Court of Appeal,⁴⁵ but not the CJEU as a final appeal court in patent matters. This was also a reason why the Regulation

-
- (d) actions for revocation of patents and for declaration of invalidity of supplementary protection certificates;
 - (e) counterclaims for revocation of patents and for declaration of invalidity of supplementary protection certificates;
 - (f) actions for damages or compensation derived from the provisional protection conferred by a published European patent application;
 - (g) actions relating to the use of the invention prior to the granting of the patent or to the right based on prior use of the invention;
 - (h) actions for compensation for licences on the basis of Article 8 of Regulation (EU) No 1257/2012; and
 - (i) actions concerning decisions of the European Patent Office in carrying out the tasks referred to in Article 9 of Regulation (EU) No 1257/2012.
- (2) The national courts of the Contracting Member States shall remain competent for actions relating to patents and supplementary protection certificates which do not come within the exclusive competence of the Court.

⁴⁴ <https://www.unified-patent-court.org/news>.

⁴⁵ UPC Agreement, Art. 6.

1257/2012 avoided substantive law provisions as EU patent law which would have attracted CJEU jurisdiction.⁴⁶ The CJEU is only included through the preliminary referral mechanism.⁴⁷ Whether and to what extent the CJEU will accept being confined to this role only in patent matters remains to be seen, given that the basis of the unitary patent is an EU regulation.⁴⁸

Will that be legal in light of the CJEU's ruling in *Opinion 1/09*?

The Unified Patent Court (UPC), when established, will serve as a new judicial enforcement framework to underpin a new unitary patent system. Businesses will be able to apply to the European Patent Office (EPO) for unitary patents which, if granted, would automatically confer on them patent protection for their inventions applicable across every country that gives recognition to the unitary patent regime. At the moment this looks set to be 25 of the 28 existing EU countries.

In order for the new UPC system to take effect when, at least 13 EU countries (including the three with the most European patents in effect in 2012) must pass national legislation to ratify the UPC. In 2012 those 3 countries were Germany (by far the largest), France and UK. Two states are close to ratifying; Romania and Greece. The Provisional Protocol Agreement Committee has found no further compliance measures need to be taken, other than ratification by the states who have signed but not yet ratified ⁴⁹

In June 2017 the UPC Preparatory Committee confirmed its target to become operational of December 2017 would not be met due to ratification delays by some states.

The UK signed the 'Protocol on Privileges and Immunities of the Unified Patent Court' (December 2016). This protocol is necessary for legitimising the legal base of the Unified Patent Court vis-à-vis national jurisdictions and for judges to carry out their activities.

⁴⁶ Kaesling, 'The European Patent', 98.

⁴⁷ UPC Agreement, Art. 21.

⁴⁸ The Unitary EU Patent System (London: Hart Publishing, 2014), 9–31, at 30–1.

⁴⁹ <https://www.unified-patent-court.org/news/summing-and-looking-forward-2018>.

It is suggested there is a raft of commentary that asserts that the UK could **not** participate in the UPC post Brexit. The basis for that view seems to stem from conflating the EU Patent Regulations and the *Opinion 1/09* of CJEU.⁵⁰

In *Opinion 1/09* the CJEU found the draft agreement on the creation of, what was then on the books, a unified patent litigation system under a European and Community Patents Court (a mix of EU Member and non-Member States) was contrary to EU law.

Consequently the envisaged agreement, by conferring on an international court which is outside the institutional and judicial framework of the European Union an exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the Community patent and to interpret and apply European Union law in that field, would deprive courts of Member States of their powers in relation to the interpretation and application of European Union law and the Court of its powers to reply, by preliminary ruling⁵¹, to questions referred by those courts and, consequently, would alter the essential character of the powers which the Treaties confer on the institutions of the European Union and on the Member States and which are indispensable to the preservation of the very nature of European Union law.⁵²

In coming to this position the CJEU opined that the agreement was mainly flawed because three EU constitutional requirements were not met. The Court stated that in order to be compliant with EU law any Agreement needed to have:

- (i) respect for the supremacy of EU law;
- (ii) the possibility of claiming damages and/or instituting infringement proceedings for breach of EU law; and
- (iii) uniformity through the making of preliminary references.

However, since that judgment the UPCA has been remodelled. The current rendition of the UPCA is designed in order to overcome deficiencies highlighted by

⁵⁰ Opinion 1/09 Of the Court (Full Court), 8 March 2011.

⁵¹ Emphasis author's own.

⁵² Opinion 1/09 at [89].

CJEU *Opinion 1/09*, plus some extra political compromise. The result now is that the UPC has jurisdiction over both EPC and EU patents.

Under the remodelled agreement the safeguards sought by the CJEU are largely met. As the UPC will:

- Be a "court common to all the Contracting Member States" and "thus subject to the same obligations under Union law as any national court of the Contracting Member States" (Art. 1(2) UPCA).
- Bound to apply EU law in its entirety and to accept its primacy (Art. 20 UPCA).
- Have the same powers and duties as national courts including the power to obtain preliminary references from the CJEU under Art. 267 TFEU (Art. 21 UPCA).
- In its actions be directly attributable to the Contracting Member States individually, which are hence responsible for infringements of EU law by the UPC according to Arts. 258-260 TFEU (Art. 23 UPCA). Thus opening up an avenue for a *Francovich* type claim for state liability.
- As a court common to the Contracting Member States and as part of their judicial system, the Court shall cooperate with the Court of Justice of the European Union to ensure the correct application and uniform interpretation of Union law, as any national court, in accordance with Article 267 TFEU in particular, Decisions of the Court of Justice of the European Union shall be binding on the Court [meaning the UPC].

What this means in terms of red lines is that by ratifying the UPCA, the UK would be re-acknowledging the binding jurisdiction of the CJEU, albeit limited to patent matters.

VIII. What then needs to be done to ease the way for UK's participation?

The UK could ratify UPCA while still a member of the EU and do nothing else. Ratification now seems to be a given. The issue is whether Germany will have ratified by that date. In that situation when the UK exits the EU, with no special agreement in place, the position would be governed by international law. Under the terms of the Vienna Convention on the Law of Treaties ("VCLT"), leaving the EU is

unlikely to be a breach of the UPCA, because leaving would not to defeat the object or purpose of the treaty or be an unforeseen fundamental change in circumstance.⁵³ It might mean UK ratification of the UPCA is an obligation.

IX. Other possibilities

The UK could ratify while still a member state of EU and amend the wording of the UPCA. By virtue of Art 87 (2) UPCA these amendments could be made by its Administrative Committee. To strengthen this legal base, the UK could enter into an international agreement with the EU and sign up to all the provisions of the UPCA which protect EU constitutional principles. Winfried Tilmann suggests an extension via an Art. 142 EPC type agreement which takes the form of Protocol adopted by the UPC's Admin & Select Committees (under Art. 145 EPC & Art. 82 (2) UPCA.⁵⁴ That would be an extension of the effect of EPS which is not part of EU law.

X. What would be the position if the UK does not ratify before exiting EU?

In the *Spanish and Italy v Council*⁵⁵ case the Court made it clear that where those conditions are met that an international agreement providing for the creation of a court responsible for the interpretation of its provisions is not, in principle, incompatible with European Union law.⁵⁶

And further that an international agreement concluded with third countries may confer new judicial powers on the Court provided that in so doing it does not change the essential character of the function of the Court as conceived in the EU and FEU Treaties.⁵⁷ The Court has also declared that an international agreement may affect its own powers, provided that the indispensable conditions for safeguarding the essential

⁵³ Art. 18 VCLT: obligation not to defeat the object or purpose of the treaty prior to its entry into force - so arguably UK ratification is an obligation.

Art. 62 VCLT: a fundamental change of circumstances which was not foreseen by the parties can (in specified circumstances) be invoked as a ground for terminating or withdrawing from a treaty. Arts. 2(c), 22, 84 UPC Agreement: all contracting parties are EU Member States. Hence a UK exit from the EU would not constitute a fundamental change of circumstances unforeseen by the parties.

⁵⁴ Tilmann, The Future of the UPC after Brexit, GRUR 2016, 753.

⁵⁵ *Spain and Italy v Council*, Cases [2013] C-274/11 and C-295/11.

⁵⁶ *ibid* para 90.

⁵⁷ *ibid* paras 29 & 41.

character of those powers are satisfied and, consequently, there is no adverse effect on the autonomy of the European Union legal order.⁵⁸

Angar Ohly and Rudolf Steinz suggest that *Opinion 1/09* can be interpreted to mean that a patent court can be created by international agreement, even if it neither corresponds to the model of the Benelux court, nor only has power to interpret its own agreement.⁵⁹ If this is the case, then the UPCA is also a sufficient basis for conferring jurisdiction on the CJEU to accept preliminary references from the UPC. It follows that once the UK is ratified the UPCA, there is no need for additional treaty in which the UK would have to accept the supremacy of EU law for the purposes of the UPCA, because the UK would already do so by ratifying the UPCA. Again, it should be remembered that the supremacy of EU law with respect to the UPC and the co-operation between the UPC and the CJEU arise from the UPCA as international treaty obligations, not from EU law.

The result would be that UPC replaces the jurisdiction of UK courts on patent challenges [not IP in general] and, through the UPC pathway, a CJEU preliminary ruling will bind not only the referring UPC, but also a UK national court enforcing a unitary patent remedy.

XI. But is modifying UPCA to accommodate UK ratification and Opinion 1/09 even necessary?

In addition to responding to the immediate points of criticism under *Opinion 1/09* (such as responsibility for damages and infringements), Modifications could take the form of a water-tight revision of the preliminary reference procedure. Alternatively, the preliminary reference procedure could be replaced with direct appeals to the General Court or to the CJEU from the UPC for unitary patents only: this would be allowed under the umbrella of Art. 262 TFEU. But either one would require Contracting States to UPCA to accept the sovereignty of CJEU.

⁵⁸ *ibid* paras 94 & 95.

⁵⁹ Ohly, Kluwer Patent Blog, UK will not have to accept the supremacy of EU law by separate agreement if it ratifies the Unified Patent Court Agreement, on 29 November 2016 available at <http://kluwerpatentblog.com/2016/11/26/ukwill->.

A further alternative, would be joint court of appeals from both the national courts and UPC. This seems feasible. At least it is from an EU law point of view (however, national constitutional laws might have to be screened to see if they allow such a model). That latter model of an appeals court in particular might, in addition and unlike the current UPC, boast sufficient links with the national judiciary to render it a Member State court.

XII. UK's continued eligibility to host one of the UPC's three central divisions of first instance courts.

The UPCA, envisages first instance divisions in Germany, Italy, UK and Baltic States with right of appeal in Luxembourg at the EFTA Court building. It foresees a life sciences and chemistry section of the UPC's central division to be located in London.

For that to eventuate is intrinsically linked to the UK's continued participation in the UPC Agreement post-Brexit. However, the UK's departure from the UPCA would not necessarily be fatal. Partition of the UPC's central division into three was the result of a political compromise, aiming at satisfying the power and economic interests of the three biggest patent jurisdictions in Europe (Germany, UK and France). Quaere: is it functionally warranted or even counter-intuitive in terms of the efficiency and quality of jurisprudence? Might it be better reducing the number of first instance divisions?

XIII. What if UK does not ratify?

The question is: would this constitute a fundamental change of circumstance under Art. 62 Vienna Convention of the Law of Treaties (VCLT), allowing other parties to cancel UK's adherence to the UPS? This is politically unlikely. But Ubertazzi suggests that the UK could be suspended from remaining a party to the UPCA on Brexit under the 'inability to perform' principle in Art. 57 VCLT and Art. 38 ICJ Statute.⁶⁰

⁶⁰ Luigi Carlo Ubertazzi: *Journal of Intellectual Property Law & Practice*, Volume 12, Issue 6, 1 June 2017, Pages 516–525, <https://doi.org/10.1093/jiplp/jpx079>.

XIV. Other challenges

Republic of Ireland referendum on UPC pending

Constitutional challenges in Hungarian [Case No. x/01514/2017] and German court [Case No. 2 BVR 739/178].

- Dr Ingve Stjerna's claim causing a halt to German ratification.
- On 23 October 2017 the Bundesverfassungsgericht (BVerfG) said it will accept submission until 31st December 2017 on assertions that the:
 - Constitutionality of the German legislation enabling ratification
 - Democratic and rule of law deficits in relation to the legislative powers of the UPC;
 - Lack of independence and democratic legitimacy of UPC judges;
 - Allegations that the UPC agreement is incompatible with European Union law.

It is very likely that one of these courts will seek a preliminary ruling from CJEU on the UPC's compatibility with EU law – so they may come to determine the issues in any event.

XV. The sustainability of the UK's 'red lines' in relation to membership of the UPCA

The UK governments red lines have been set out in various speeches and White Papers, some of which are inconsistent with the UK's obligations if it formally ratifies the UPCA. The red lines inconsistent with the UK's participation in the UPCA are; ending the supremacy of EU law; ending the jurisdiction of the CJEU; ending the application of the Charter of Fundamental Rights and exclusion of any *Francovich* damages. These 'red lines' are given legislative intent in various clauses of the European Union (Withdrawal) Bill.

The European Union (Withdrawal) Bill

The European Union (Withdrawal) Bill was laid before the House of Commons on 13 July 2017 (Bill 5). Its aim is to manage and fill the legal lacunae arising at Brexit. According to the explanatory notes to the Bill it:

- Repeals the European Communities Act 1972 (ECA) on the day the United Kingdom leaves the European Union.
- Ends the supremacy of European Union (EU) law in UK law and converts EU law as it stands at the moment of exit into domestic law.
- Creates temporary powers to make secondary legislation to enable corrections to be made to the laws that would otherwise no longer operate appropriately once the UK has left, so that the domestic legal system continues to function correctly outside the EU.
- Enables domestic law to reflect the content of a withdrawal agreement under Article 50 of the Treaty on European Union once the UK leaves the EU.

In analysing the Bill it needs to be born in mind that it was drafted before the proposed post-Brexit transition period. Instead the Bill It assumes an absolute break on exit day.

The short title of the European Union (Withdrawal) Bill⁶¹ is illusory. It states that it is a Bill to

...Repeal the European Communities Act 1972 and make other provision in connection with the withdrawal of the United Kingdom from the EU.

From a reading of the detailed clauses in the Bill ‘...*provision in connection with*...’ entails converting the whole *corpus* of EU law into UK domestic law at the moment of exit. If passed un-amended that would be some 4,000 EU Regulations, all non-adopted directives and all administrative acts of EU institutions: some sixteen tons of *acquis communautaire* in one single bite, but essentially this still means the United Kingdom’s reduction to WTO status. To date there are at least 400 amendments laid before the House Commons and the Bill’s second reading has not yet taken place.

Turning to the detailed provisions of the Bill, clause 1 repeals the European Communities Act 1972 with effect on ‘exit day’; plain and simple. Forty-five years of integration gone in 10 words.

For domestic legislation extant on Brexit day, clause 2 of the Bill saves all EU-derived legislation. It will, in the wording of the Bill ‘...continue to have effect...’

⁶¹ <https://publications.parliament.uk/pa/bills/cbill/2017-2019/0005/18005.pdf>.

The definition of ‘EU-derived domestic legislation’ in clause 2 of the Bill is wide, including not only UK regulations made under the European Communities Act 1972 but also other secondary or primary legislation which implements or ‘relates to’ the EU or EEA. The intention of clause 2, according to the Explanatory Notes, is to preserve laws which would otherwise lapse on repeal of the ECA and to enable amendment of such legislation to ensure it functions properly after Brexit (EN para. 75). The result is achieved by making all such laws part of ‘retained EU law’.

The definition of ‘retained EU law’ also includes ‘direct EU legislation’. Clauses 3 and 4 provide for the incorporation in to United Kingdom domestic law of all direct EU legislation and existing rights under the repealed European Communities Act. However, clause 3 does not apply to any such legislation for which there is no English language version. Retention of the *acquis communitarie* is implicit in the meaning of clause 4 (1), which saves

Any rights, powers, liabilities, obligations, restrictions, remedies and procedures which, immediately before exit day—

(a) are recognised and available in domestic law by virtue of section 2(1) of the European Communities Act 1972, and

(b) are enforced, allowed and followed accordingly,
continue on and after exit day to be recognised and available in domestic law (and to be enforced, allowed and followed accordingly).

In respect to specific key rights, powers, liabilities, obligations, restrictions, remedies or procedures the combined effect of clauses 5 and 6 is fatal in respect to general harmonious protection of those rights, powers, liabilities, obligations, restrictions, remedies or procedures post-Brexit. For, it provides for exceptions to the clauses 2, 3 and 4. In particular, clause 5 states that the following shall not apply to any law passed on or after exit day.

In relation to saved EU law *Francovich* and the Charter of Fundamental Rights are specifically excluded by Schedule 1 (3) of the Bill

Clause 5 (1) excludes the supremacy of EU law from operating to any enactment passed on or after exit day but continues its supremacy for laws passed before exit day but, by virtue of clause 5 (2), only insofar as it supremacy of laws is ‘.... *relevant to*

the interpretation, disapplication or quashing of any enactment or rule of law passed or made before exit day.'

Clause 5 states that the principle of the supremacy of EU law 'does not apply to any enactment or rule of law passed or made after exit day' (clause 5(1)), but that it 'continues to apply...so far as relevant to the interpretation, disapplication or quashing of any enactment or rule of law passed or made before exit day' (clause 5(2)).

Confusingly, clause 1 (1) of schedule 1 of the Bill removes from domestic law, and therefore a right of action, any possibility of challenging as *ultra vires* all retained EU law.

In terms UK patent law under the UPCA, the UPC will apply EU law in its entirety and respect its primacy. As any national court, whenever a question of interpretation of EU law arises, the UPC will send a request for a preliminary ruling to the Court of Justice of the European Union (CJEU). EU law which could be of particular relevance in patent litigation includes (a) Directive 98/44/ EC on the legal protection of biotechnological inventions, (b) Directive 2004/48/EC on the enforcement of IP rights, (c) Regulation 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I) (d) Regulations 1257/2012 and 1260/2012 on Unitary Patent Protection and (e) Articles 101 and 102 TFEU and, when in force, Patent Regulation 1257/2012 and Language Regulation 1260/201217 (the "unitary patent regulations").

Due to the symbiotic connection between the Unified Patent Court Agreement (the UPCA") on the one hand and the Patent Regulation 1257/2012 and Language Regulation 1260/201217 (the "unitary patent regulations") on the other, it is hard to see how the UK's 'red lines' are sustainable. Taking each 'red line' in turn:

Ending supremacy of EU law.

The notion of ending the direct applicability and direct effectiveness of these patent regulations and directive does not stand practical scrutiny.

It is conceded that in pure constitutional terms, based on the principle of parliamentary sovereignty, a UK Parliament or anyone of the devolved Parliaments could pass a law which conflicts with the unified patent regulations. However, in

doing so it would be rendered questionable because it would breach Treaty obligations under the UPCA and create legal uncertainty.

It is suggested that by ratifying the UPCA the UK will implicitly acknowledge the supremacy of the EU patent regulations and, any related subsequent amendments or associated directives, over its national patent laws in relation the unitary patent. EU law rights under these patent regulations are reciprocal in nature, and they might make little, if any, sense post-Brexit if they do not remain directly applicable in UK domestic law. Transforming them into UK domestic law would require some form of entrenchment linked with continued participation in the UPCA.

Ending the jurisdiction of the CJEU

Another key red line laid down in Theresa May's Lancaster House⁶² speech and in the government's White Paper on the 'UK's exit from and new partnership with the EU'⁶³ was ending the jurisdiction of the Court of Justice of the European Union in United Kingdom domestic law. This is provided for in in clause 6(1) of the Bill. As of exit day the jurisdiction ends as by clause 6 (1) (a & b) no [UK] court or tribunal is *bound by any principles laid down, or any decisions made, on or after exit day by the European Court, and cannot refer any matter to the European Court on or after exit.* Clause 6 (2) is to the effect that after exit day may take into account '*anything done*' by the CJEU after exit day '*if it considers it appropriate to do so*'. The question is how far does the discretionary freedom go?

A 'clutch' of United Kingdom Supreme Court judges in the hearing before the House of Lords Brexit Committee cautioned against this discretion as it raised rule of

⁶² <https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech>.

"So we will take back control of our laws and bring an end to the jurisdiction of the European Court of Justice in Britain. Leaving the European Union will mean that our laws will be made in Westminster, Edinburgh, Cardiff and Belfast. And those laws will be interpreted by judges not in Luxembourg but in courts across this country".

⁶³ February 2017 Com 9417.

2.3 The Court of Justice of the European Union (CJEU) is the EU's ultimate arbiter on matters of EU law. As a supranational court, it aims to provide both consistent interpretation and enforcement of EU law across all 28 Member States and a clear process for dispute resolution when disagreements arise. The CJEU is amongst the most powerful of supranational courts due to the principles of primacy and direct effect in EU law. **We will bring an end to the jurisdiction of the CJEU in the UK.** We will of course continue to honour our international commitments and follow international law.

law issues: in particular in relation to the separation of powers because it risked judges stepping into the political area.⁶⁴

With regard to the UK's participation in the UPCA, some of these red lines simply will not stick.

In relation to excluding of the jurisdiction of the CJEU in unitary patent litigation the UK's red line will not stand. The preamble to the UPCA states:

CONSIDERING that, as any national court, the Unified Patent Court must respect and apply Union law and, in collaboration with the Court of Justice of the European Union as guardian of Union law, ensure its correct application and uniform interpretation; the Unified Patent Court must in particular cooperate with the Court of Justice of the European Union in properly interpreting Union law by relying on the latter's case law and by requesting preliminary rulings in accordance with Article 267 TFEU;

Then Article 21 of UPCA requires the UPC to comply with the preliminary reference procedure under Article 267 TFEU and states that ... *Decisions of the Court of Justice of the European Union shall be binding on the Court.* Article 38 UPCA requires proceedings before the patent court be stayed and that procedures established by the Court of Justice of the European Union for referrals for preliminary rulings within the European Union shall apply.⁶⁵

Ending *Franconich* Claims

In ratifying the UPCA the UK will be acknowledging the possibility of a *Franconich* claim remaining available against the UK. This is provided for in the preamble to the UPCA. It states

⁶⁴ House of Lords Select Committee on the European Union: Oral Evidence Brexit: the jurisdiction of the CJEU Tuesday 21 November 2017: 11.05 am.

Lord Neuberger of Abbotsbury: Clause 6(2), as drafted—it is a matter for a judge whether, and if so in what way, to take into account a decision of the Court of Justice on the same point in the regulation or directive, rather than in our statute. The problem for a judge is whether to take into account diplomatic, political or economic factors when deciding whether to follow the decision of the CJEU. These are normally decisions for the legislature, either to make or to tell judges what to do. We talked about our system in this country of judges being given a wide discretion, but this is an uncomfortably wide discretion, because a judge will have to take into account, or in some cases will be asked to take into account, factors that are rather unusual for a judge to have to take into account and that have political implications. It would be better if we did not maintain this system of judges being free to take decisions into account if they saw fit, if they were given some guidance as to the factors which they can and cannot take into account. Otherwise we are getting judges to step into the political arena.

⁶⁵ Article 38(1) UPCA.

CONSIDERING that the Contracting Member States should, in line with the case law of the Court of Justice of the European Union on non-contractual liability, be liable for damages caused by infringements of Union law by the Unified Patent Court, including the failure to request preliminary rulings from the Court of Justice of the European Union;

What is more, in its capacity as a Contracting Member State, the UK will still be subject to EU Commission infringement action and fines.⁶⁶ Under Article 258 the preamble to the UPCA also provides for infringement proceeding against the UK. Pursuant to Article 23 UPCA action of the UPC is directly *attributable to each Contracting Member State individually, including for the purposes of Articles 258, 259 and 260 TFEU, and to all Contracting Member States collectively.*

Ending the application of the Charter of Fundamental Rights.

The CFR is excluded by clause 5 (4) from being part of domestic law *in toto* after exit day. However, such an exclusion would be inconsistent with the UK becoming and remaining a Contracting Member State of UPCA. For the preamble specifically engrosses the CFR. It states that *RECALLING the primacy of Union law, which includes the TEU, the TFEU, the Charter of Fundamental Rights of the European Union, the general principles of Union law as developed by the Court of Justice of the European Union, and in particular the right to an effective remedy before a tribunal and a fair and public hearing within a reasonable time by an independent and impartial tribunal, the case law of the Court of Justice of the European Union and secondary Union law.*

XVI. Conclusion

It appears that the UK is on the cusp of ratifying the UPCA. If the UPCA enters into force before the end of any transition period, EU Regulation 1257/2012 also comes into force. Thus, the UK government's red lines in relation to Brexit will have been crossed. In addition, in terms of patent litigation and enforcement, the UK will have retreated only a short distance back up the roads from Rome.

⁶⁶ Preamble to UPCA - *CONSIDERING that infringements of Union law by the Unified Patent Court, including the failure to request preliminary rulings from the Court of Justice of the European Union, are directly attributable to the Contracting Member States and infringement proceedings can therefore be brought under Article 258, 259 and 260 TFEU against any Contracting Member State to ensure the respect of the primacy and proper application of Union law.*

